

**REPORT OF THE AUDIT OF THE
HART COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Terry Martin, Hart County Judge/Executive

Members of the Hart County Fiscal Court

The enclosed report prepared by Rodefer Moss & Co, PLLC, Certified Public Accountants, presents the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hart County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Rodefer Moss & Co, PLLC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Rodefer Moss & Co, PLLC evaluated the Hart County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HART COUNTY FISCAL COURT

June 30, 2009

Rodefer Moss & Co, PLLC has completed the audit of the Hart County Fiscal Court for fiscal year ended June 30, 2009.

We have issued unqualified opinions, based on our audit and the reports of the other auditors, on the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

Financial Condition:

The Fiscal Court had total net assets of \$7,317,951 as of June 30, 2009. The Fiscal Court had unrestricted net assets of \$2,752,843 in its governmental activities as of June 30, 2009, with total net assets of \$7,275,292. In its business-type activities, total net cash and cash equivalents were \$25,675 with total net assets of \$42,659. The Fiscal Court's discretely presented component units had unrestricted net assets of \$1,369,091 as of June 30, 2009, with total net assets of \$2,579,644. The Fiscal Court had total debt principal as of June 30, 2009 of \$14,833,639 with \$782,799 due within the next year. The discretely presented component units had total debt principal as of June 30, 2009 of \$3,461,109 with \$1,260,378 due within the next year.

Report Comments:

- | | |
|--------|-----------------------------------------------------------------------------------------------------------|
| 2009-1 | The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And Reconciliations |
| 2009-2 | The Fiscal Court Should Improve Procedures Over Capital Assets |
| 2009-3 | The Hart County Jailer Lacks Adequate Segregation Of Duties |
| 2009-4 | The Hart County Jailer Should Improve Internal Controls Over Reconciliations |
| 2009-5 | The Hart County Jailer Should Ensure That Fund Transfers Are Adequately Documented |
| 2009-6 | The Fiscal Court Should Ensure The Timely Deposit Of Revenues Received |
| 2009-7 | The Occupational Tax Administrator Should Ensure The Timely Remittance Of Collections To The Fiscal Court |
| 2009-8 | The Fiscal Court Should Maintain An Approved List Of Employee Salaries |

Deposits:

The Fiscal Court's deposits were covered by FDIC insurance and a properly executed collateral security agreement.

The discretely presented component units' deposits were covered by FDIC insurance or a properly executed collateral security agreement.

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- Certified Public Accountants
 - Business Advisors



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Terry Martin, Hart County Judge/Executive
Members of the Hart County Fiscal Court

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hart County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Hart County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the discretely presented component units: Hart County Industrial Authority, Inc., the Hart County Solid Waste Management District, and the Hart County Tourist Commission, which represent 75 percent, 22 percent and 3 percent, respectively, of the assets, and 22 percent, 72 percent and 6 percent, respectively, of the revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hart County Industrial Authority, Inc., the Hart County Solid Waste Management District and the Hart County Tourist Commission, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provide a reasonable basis for our opinions.

As described in Note 1, Hart County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hart County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

To the People of Kentucky
 Honorable Steven L. Beshear, Governor
 Jonathan Miller, Secretary
 Finance and Administration Cabinet
 Honorable Terry Martin, Hart County Judge/Executive
 Members of the Hart County Fiscal Court

The Hart County Fiscal Court has not presented the management's discussion and analysis that the Government Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison schedules are not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the budgetary comparison schedules. However, we did not audit the information and express no opinion on it.

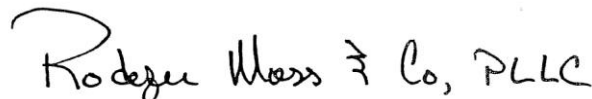
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hart County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2010 on our consideration of Hart County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2009-1 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And Reconciliations
- 2009-2 The Fiscal Court Should Improve Procedures Over Capital Assets
- 2009-3 The Hart County Jailer Lacks Adequate Segregation Of Duties
- 2009-4 The Hart County Jailer Should Improve Internal Controls Over Reconciliations
- 2009-5 The Hart County Jailer Should Ensure That Fund Transfers Are Adequately Documented
- 2009-6 The Fiscal Court Should Ensure The Timely Deposit Of Revenues Received
- 2009-7 The Occupational Tax Administrator Should Ensure The Timely Remittance Of Collections To The Fiscal Court
- 2009-8 The Fiscal Court Should Maintain An Approved List Of Employee Salaries

Respectfully submitted,



RODEFER MOSS & CO, PLLC

March 12, 2010

HART COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Terry Martin	County Judge/Executive
Gary Gardner	Magistrate
Melvin Perkins	Magistrate
Ronald Riordan	Magistrate
Franklin Turner	Magistrate
Don Kessinger	Magistrate

Other Elected Officials:

Mike Nichols	County Attorney
Keith Riordan	Jailer
Lisa Hensley	County Clerk
Rita Doyle	Circuit Court Clerk
Boston Hensley	Sheriff
Vicki Reynolds	Property Valuation Administrator
Jeff Roten	Coroner

Appointed Personnel:

Sue Gardner	County Treasurer
Paula Day	Finance Officer
Georgia Gardner	Jail Administrative Assistant/Bookkeeper
Rietta Osborne	Occupational Tax Collector
Brian Webber	911 Administrator
Gordon Ard	Road Supervisor

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HART COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

HART COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
ASSETS				
Current Assets:				
Cash And Cash Equivalents	\$ 3,435,251	\$ 25,675	\$ 3,460,926	\$ 1,638,866
Receivable	144,386		144,386	
Account Receivable				2,376
Prepaid Insurance				1,113
Utility Deposits				7,401
Total Current Assets	3,579,637	25,675	3,605,312	1,649,756
Noncurrent Assets:				
Receivable	65,000		65,000	
Capital Assets - Net Of Accumulated Depreciation:				
Land And Land Improvements	285,398		285,398	321,673
Historical Treasures	224,669		224,669	
Buildings And Improvements	14,654,259		14,654,259	3,904,738
Other Equipment	441,965		441,965	70,141
Vehicles And Equipment	568,878	16,984	585,862	374,137
Infrastructure	2,289,125		2,289,125	
Total Noncurrent Assets	18,529,294	16,984	18,546,278	4,670,689
Total Assets	22,108,931	42,659	22,151,590	6,320,445
LIABILITIES				
Current Liabilities:				
Accounts Payable				1,687
Accrued Wages And Payroll Tax				2,148
Economic Inventive Agreement Payable				40,000
Notes Payable				1,100,735
Leases Payable				159,643
Payroll Taxes Payable				
Garbage Service Deposits Payable				4,005
General Obligations Notes Payable				57,218
Unearned Revenues				134,634
Financing Obligations Payable	237,799		237,799	
Bonds Payable	545,000		545,000	
Total Current Liabilities	782,799		782,799	1,500,070
Noncurrent Liabilities:				
Economic Inventive Agreement Payable				40,000
Notes Payable				2,105,731
Leases Payable				95,000
General Obligations Notes Payable				
Financing Obligations Payable	195,840		195,840	
Bonds Payable	13,855,000		13,855,000	
Total Noncurrent Liabilities	14,050,840		14,050,840	2,240,731
Total Liabilities	14,833,639		14,833,639	3,740,801

The accompanying notes are an integral part of the financial statements.

HART COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
NET ASSETS				
Invested In Capital Assets,				
Net Of Related Debt	\$ 3,630,655	\$ 16,984	\$ 3,647,639	\$ 1,209,580
Restricted For:				
Economic Development Projects				973
Judicial Center Project	891,794		891,794	
Unrestricted	2,752,843	25,675	2,778,518	1,369,091
Total Net Assets	<u>\$ 7,275,292</u>	<u>\$ 42,659</u>	<u>\$ 7,317,951</u>	<u>\$ 2,579,644</u>

The accompanying notes are an integral part of the financial statements.

HART COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

HART COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Functions / Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions
Primary Government:				
Governmental Activities :				
General Government	\$ 1,884,676	\$ 33	\$ 818,316	\$
Protection to Persons and Property	2,325,283	1,294,161	152,006	
General Health and Sanitation	122,663	254		177,135
Social Services	9,861			
Recreation and Culture	218,568	64,653	59,986	
Roads	991,852	40	210,360	1,096,477
Interest on Debt Service	637,133			879,092
Capital Projects	256,887			
Total Governmental Activities	6,446,923	1,359,141	1,240,668	2,152,704
Business-Type Activities :				
Jail Canteen	102,268	95,024		
Total Business-Type Activities	102,268	95,024		
Total Primary Government	\$ 6,549,191	\$ 1,454,165	\$ 1,240,668	\$ 2,152,704
Component Units :				
Hart County Industrial Authority, Inc.	\$ 206,288	\$	\$	
Hart County Solid Waste Management District	1,476,058	1,613,644	77,819	
Hart County Tourist Commission	124,678			
Total Component Units	\$ 1,807,024	\$ 1,613,644	\$ 77,819	

General Revenues:

Taxes:

Property Taxes

Motor Vehicle Taxes

Occupational Taxes

Net Profits Taxes

Other Taxes

Transient Room Tax

Excess Fees

Miscellaneous Revenues

Investment Income

Building Rental

Rest Area Ad Sales

Grants

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

HART COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues And Changes In Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Totals	Component Units
\$ (1,066,327)	\$	\$ (1,066,327)	\$
(879,116)		(879,116)	
54,726		54,726	
(9,861)		(9,861)	
(93,929)		(93,929)	
315,025		315,025	
241,959		241,959	
(256,887)		(256,887)	
(1,694,410)		(1,694,410)	
	(7,244)	(7,244)	
	(7,244)	(7,244)	
(1,694,410)	(7,244)	(1,701,654)	
			(206,288)
			215,405
			(124,678)
			(115,561)
677,939		677,939	
92,022		92,022	
1,135,551		1,135,551	256,887
105,173		105,173	
92,306		92,306	105,238
			63,440
62,747		62,747	
192,094		192,094	65,666
74,117	198	74,315	10,035
			82,080
			47,532
			15,958
2,431,949	198	2,432,147	646,836
737,539	(7,046)	730,493	531,275
6,537,753	49,705	6,587,458	2,048,369
\$ 7,275,292	\$ 42,659	\$ 7,317,951	\$ 2,579,644

The accompanying notes are an integral part of the financial statements.

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HART COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

HART COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Jail Fund	Federal And State Grants Fund
ASSETS				
Cash And Cash Equivalents	\$ 1,563,113	\$ 678,190	\$ 175,169	\$ 7,600
Total Assets	<u>1,563,113</u>	<u>678,190</u>	<u>175,169</u>	<u>7,600</u>
FUND BALANCES				
Reserved for:				
Encumbrances	7,280	6,004	1,315	
Unreserved:				
General Fund	1,555,833			
Special Revenue Funds		672,186	173,854	7,600
Capital Projects Fund				
Total Fund Balances	<u>\$ 1,563,113</u>	<u>\$ 678,190</u>	<u>\$ 175,169</u>	<u>\$ 7,600</u>

The accompanying notes are an integral part of the financial statements.

HART COUNTY
BALANCE SHEET- GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

Public Properties Corporation Fund	Non-Major Funds	Total Governmental Funds
<u>\$ 891,794</u>	<u>\$ 119,385</u>	<u>\$ 3,435,251</u>
<u>891,794</u>	<u>119,385</u>	<u>3,435,251</u>
	1,936	16,535
		1,555,833
	117,449	971,089
<u>891,794</u>		<u>891,794</u>
<u>\$ 891,794</u>	<u>\$ 119,385</u>	<u>\$ 3,435,251</u>

Reconciliation Of The Balance Sheet - Governmental Funds To The Statement Of Net Assets:

Total Fund Balances	\$ 3,435,251
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	21,386,050
Accumulated Depreciation	(2,921,756)
Receivable Is Not Due and Collectible in the Current Period and, Therefore, Is Not Reported in the Governmental Funds.	
Solid Waste Management District Amount Due For Debt Service On Financing Obligations	209,386
Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Financing Obligations	(433,639)
Bonds	(14,400,000)
Net Assets Of Governmental Activities	<u>\$ 7,275,292</u>

The accompanying notes are an integral part of the financial statements.

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HART COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

HART COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road Fund	Jail Fund	Federal and State Grant Fund
REVENUES				
Taxes	\$ 2,016,671	\$	\$	\$
In Lieu Tax Payments	60,501			
Excess Fees	62,747			
Licenses and Permits	21,266			
Intergovernmental	292,539	1,306,837	1,142,921	142,135
Charges for Services	32		166,557	
Miscellaneous	229,440	50,227	27,288	
Interest	13,844	31,266	1,170	
Total Revenues	<u>2,697,040</u>	<u>1,388,330</u>	<u>1,337,936</u>	<u>142,135</u>
EXPENDITURES				
General Government	753,400			99,226
Protection to Persons and Property	97,290	20,610	1,424,677	10,169
General Health and Sanitation	187,509			5,440
Social Services	9,861			
Recreation and Culture	6,996			
Roads		921,302		
Debt Service	180,018			
Capital Projects	256,887			
Administration	376,414	188,987	296,853	40,954
Total Expenditures	<u>1,868,375</u>	<u>1,130,899</u>	<u>1,721,530</u>	<u>155,789</u>
Excess (Deficiency) Of Revenues Over Over Expenditures Before Other Financing Sources (Uses)	<u>828,665</u>	<u>257,431</u>	<u>(383,594)</u>	<u>(13,654)</u>
Other Financing Sources (Uses)				
Transfers Out	(1,015,801)	(228,486)	(229,982)	(4,012)
Transfers In	234,628		600,000	18,856
Borrowed Money	80,000			
Total Other Financing Sources (Uses)	<u>(701,173)</u>	<u>(228,486)</u>	<u>370,018</u>	<u>14,844</u>
Net Change In Fund Balances	127,492	28,945	(13,576)	1,190
Fund Balances - Beginning (Restated)	1,435,621	649,245	188,745	6,410
Fund Balances - Ending	<u>\$ 1,563,113</u>	<u>\$ 678,190</u>	<u>\$ 175,169</u>	<u>\$ 7,600</u>

The accompanying notes are an integral part of the financial statements.

HART COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES- GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Public Properties Corporation Fund	Non-Major Funds	Total Governmental Funds
\$	\$ 196,141	\$ 2,212,812
		60,501
		62,747
		21,266
879,092	470,922	4,234,446
	30,000	196,589
26,469	15,029	348,453
	1,368	47,648
<u>905,561</u>	<u>713,460</u>	<u>7,184,462</u>
	494,076	1,346,702
	186,508	1,739,254
	37,416	230,365
		9,861
	206,821	213,817
		921,302
878,495	229,982	1,288,495
1,861,669		2,118,556
11,144	165,898	1,080,250
<u>2,751,308</u>	<u>1,320,701</u>	<u>8,948,602</u>
 (1,845,747)	 (607,241)	 (1,764,140)
 (1,972,509)	 (2,130)	 (3,452,920)
1,972,509	626,927	3,452,920
		80,000
	<u>624,797</u>	<u>80,000</u>
 (1,845,747)	 17,556	 (1,684,140)
2,737,541	101,829	5,119,391
<u>\$ 891,794</u>	<u>\$ 119,385</u>	<u>\$ 3,435,251</u>

The accompanying notes are an integral part of the financial statements.

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**HART COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

HART COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Net Change In Fund Balances - Total Governmental Funds \$ (1,684,140)

Amounts Reported For Governmental Activities In The Statement Of Activities Are Different Because Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities, The Cost Of Those Assets Are Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.

Capital Outlay 2,313,512

Depreciation Expense (593,792)

Book Value Of Disposed Capital Assets (1,500)

Equipment Purchased for Solid Waste Management District 80,000

The Issuance Of Long-term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources To Governmental Funds, While Repayment Of Principal On Long-term Debt Consumes The Current Financial Resources Of Governmental Funds. These Transactions, However, Have No Effect On Net Assets.

Financing Obligation Proceeds (80,000)

Debt Service payments made directly to KaColt by the AOC

Lease And Bond Principal Payments Are Expensed In The Governmental Funds As A Use Of Current Financial Resources.

Financing Obligations Principal Amount 213,459

Bond Payments 490,000

Change In Net Assets Of Governmental Activities \$ 737,539

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HART COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

HART COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash And Cash Equivalents	\$ 25,675
Total Current Assets	<u>25,675</u>
Noncurrent Assets:	
Capital Assets - Net Of Accumulated Depreciation:	
Vehicles	<u>16,984</u>
Total Noncurrent Assets	<u>16,984</u>
Total Assets	<u>42,659</u>
Net Assets	
Invested In Capital Assets	16,984
Unrestricted	<u>25,675</u>
Total Net Assets	<u>\$ 42,659</u>

The accompanying notes are an integral part of the financial statements.

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HART COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

HART COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 95,024
Total Operating Revenues	<u>95,024</u>
Operating Expenses	
Cost of Sales	80,293
Depreciation	1,873
Educational and Recreational	1,857
Medical	12,000
Miscellaneous	3,891
Sales Tax	<u>2,354</u>
Total Operating Expenses	<u>102,268</u>
Operating Income	<u>(7,244)</u>
Nonoperating Revenues	
Interest Income	<u>198</u>
Total Non-operating Revenues	<u>198</u>
Change In Net Assets	(7,046)
Total Net Assets - Beginning	<u>49,705</u>
Total Net Assets - Ending	<u><u>\$ 42,659</u></u>

The accompanying notes are an integral part of the financial statements.

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HART COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

HART COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 95,024
Cost of Sales	(80,293)
Educational and Recreational	(1,857)
Medical	(12,000)
Miscellaneous	(3,891)
Sales Tax	(2,354)
Net Cash Used By Operating Activities	<u>(5,371)</u>
Cash Flows From Investing Activities	
Interest Earned	<u>198</u>
Net Cash Provided By Investing Activities	<u>198</u>
Net Decrease In Cash And Cash Equivalents	(5,173)
Cash And Cash Equivalents - July 1, 2008	<u>30,848</u>
Cash And Cash Equivalents - June 30, 2009	<u><u>\$ 25,675</u></u>
Reconciliation Of Operating Income To Net Cash Used By Operating Activities	
Operating Income	\$ (7,244)
Adjustment To Reconcile Operating Income To Net Cash Used By Operating Activities.	
Depreciation Expense	<u>1,873</u>
Total Cash Used By Operating Activities	<u><u>\$ (5,371)</u></u>

The accompanying notes are an integral part of the financial statements.

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HART COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

HART COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	<u>Agency Fund</u>
	<u>Inmate Account</u>
Assets	
Current Assets:	
Cash And Cash Equivalents	\$ 94,340
Total Assets	<u>94,340</u>
Liabilities	
Amounts Held In Custody For Others	<u>94,340</u>
Total Liabilities	<u>94,340</u>
Net Assets	
Total Net Assets	<u><u>\$</u></u>

The accompanying notes are an integral part of the financial statements.

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HART COUNTY
STATEMENT OF NET ASSETS - COMPONENT UNITS
June 30, 2009

HART COUNTY
STATEMENT OF NET ASSETS - COMPONENT UNITS
June 30, 2009

	Hart County Industrial Authority, Inc.	Hart County Solid Waste Management District	Hart County Tourist Commission	Totals
Assets				
Current Assets:				
Cash And Cash Equivalents	\$ 764,227	\$ 750,147	\$ 124,492	\$ 1,638,866
Accounts Receivable			2,376	2,376
Prepaid Insurance	1,113			1,113
Utility Deposits	7,401			7,401
Total Current Assets	<u>772,741</u>	<u>750,147</u>	<u>126,868</u>	<u>1,649,756</u>
Noncurrent Assets:				
Capital Assets, Net Of Accumulated Depreciation:				
Land And Land Improvements	177,673	144,000		321,673
Buildings And Improvements	3,815,744	88,994		3,904,738
Other Equipment		436	70,141	70,577
Vehicles And Equipment		373,701		373,701
Total Noncurrent Assets	<u>3,993,417</u>	<u>607,131</u>	<u>70,141</u>	<u>4,670,689</u>
Total Assets	<u>4,766,158</u>	<u>1,357,278</u>	<u>197,009</u>	<u>6,320,445</u>
Liabilities				
Current Liabilities:				
Accounts Payable			1,687	1,687
Accrued Wages And Payroll Tax			2,148	2,148
Economic Incentive Agreement Payable	40,000			40,000
Notes Payable	1,038,709	62,026		1,100,735
Leases Payable		159,643		159,643
Payroll Taxes Payable		2,187	1,818	4,005
Garbage Service Deposits Payable		57,218		57,218
General Obligation Notes Payable				
Unearned Revenues	6,960	125,298	2,376	134,634
Total Current Liabilities	<u>1,085,669</u>	<u>406,372</u>	<u>8,029</u>	<u>1,500,070</u>
Noncurrent Liabilities:				
Economic Incentive Agreement Payable	40,000			40,000
Notes Payable	1,971,589	134,142		2,105,731
Leases Payable		95,000		95,000
General Obligation Notes Payable				
Total Noncurrent Liabilities	<u>2,011,589</u>	<u>229,142</u>	<u></u>	<u>2,240,731</u>
Total Liabilities	<u>3,097,258</u>	<u>635,514</u>	<u>8,029</u>	<u>3,740,801</u>
Net Assets				
Invested In Capital Assets, Net Of Related Debt	983,119	156,320	70,141	1,209,580
Restricted For:				
Economic Development Projects	973			973
Unrestricted	684,808	565,444	118,839	1,369,091
Total Net Assets	<u>\$ 1,668,900</u>	<u>\$ 721,764</u>	<u>\$ 188,980</u>	<u>\$ 2,579,644</u>

The accompanying notes are an integral part of the financial statements.

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HART COUNTY
STATEMENT OF ACTIVITIES - COMPONENT UNITS

For The Year Ended June 30, 2009

HART COUNTY
STATEMENT OF ACTIVITIES - COMPONENT UNITS

For The Year Ended June 30, 2009

	Hart County Industrial Authority, Inc.	Hart County Solid Waste Management District	Hart County Tourist Commission	Total Component Units
Expenses:				
Operating And Other Expenses	\$ 206,289	\$ 1,455,203	\$ 124,678	\$ 1,786,170
Interest Expense		20,854		20,854
Total Expenses	<u>206,289</u>	<u>1,476,057</u>	<u>124,678</u>	<u>1,807,024</u>
Program Revenues:				
Charges For Services		1,613,644		1,613,644
Operating Grants And Contributions		77,819		77,819
Capital Grants And Contributions				
Total Program Revenues		<u>1,691,463</u>		<u>1,691,463</u>
Net Program (Expense) Revenue	<u>(206,289)</u>	<u>215,406</u>	<u>(124,678)</u>	<u>(115,561)</u>
General Revenues:				
Occupational Tax Revenue	256,888			256,888
Other Tax Revenue	105,238			105,238
Building Rental	82,080			82,080
Rest Area Ad Sales			47,532	47,532
Transient Room Tax			63,440	63,440
Grants			15,958	15,958
Interest Income	6,272	1,460	2,303	10,035
Miscellaneous Income	61,068		4,598	65,666
Total General Revenues	<u>511,546</u>	<u>1,460</u>	<u>133,831</u>	<u>646,837</u>
Change In Net Assets	305,257	216,866	9,153	531,276
Net Assets - Beginning	<u>1,363,643</u>	<u>504,898</u>	<u>179,827</u>	<u>2,048,368</u>
Net Assets - Ending	<u>\$ 1,668,900</u>	<u>\$ 721,764</u>	<u>\$ 188,980</u>	<u>\$ 2,579,644</u>

The accompanying notes are an integral part of the financial statements.

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HART COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The Hart County Fiscal Court and two of its discretely presented component units, the Hart County Industrial Authority, Inc. and the Hart County Solid Waste Management District, present their government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

Management of the Hart County Tourist Commission, a discretely presented component unit of the Hart County Fiscal Court, presents their government-wide and fund financial statements utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. This discretely presented component unit has adopted the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when incurred. The funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the Statement of Net Assets.

B. Reporting Entity

The financial statements of Hart County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or, their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units

Hart County Public Properties Corporation

Hart County Public Properties Corporation (Corporation) is a legally separate entity established for the purpose of construction of the Hart County Judicial Center and the related long-term debt service. The Corporation's governing body consists entirely of Fiscal Court members. Therefore, the Fiscal Court is financially accountable and legally obligated for the debt of the Hart County Public Properties Corporation. Financial information for the Hart County Public Properties Corporation is blended within Hart County's financial statements. All activities of the Corporation are accounted for within a major fund, the Public Properties Corporation Fund.

Hart County 911 Emergency Telephone Service

The Hart County 911 Emergency Telephone Service (Service) is a legally separate entity established to provide, maintain, and operate 911 emergency services for the citizens of Hart County. Fiscal Court has the authority to appoint a voting majority of the Service's board. The Service is fiscally dependent on the Fiscal Court because the Fiscal Court sets and collects the fees for the Service. This fiscal dependency requires the Fiscal Court to include the Service as a component unit. Financial information for the Service is blended within Hart County's financial statements. All activities of the Service are accounted for within a non-major fund, the 911 Dispatch Fund.

Discretely Presented Component Units

The financial data of the Hart County Industrial Authority, Inc., the Hart County Solid Waste Management District, and the Hart County Tourist Commission are reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Units" to emphasize these organizations' separateness from the Fiscal Court's primary government.

Hart County Parks, Playgrounds, and Recreation District

Hart County Fiscal Court has the authority to appoint a voting majority of the Hart County Parks, Playgrounds, and Recreation District's (District) Board of Directors. The District is fiscally dependent on the Fiscal Court because the Fiscal Court has the ability to modify or approve rate or fee changes. The Fiscal Court is financially accountable for the District, legally entitled to the District's resources, and legally responsible for the District's debt. However, for the fiscal year ended June 30, 2009, the District had no financial activity.

Hart County Industrial Authority, Inc.

The Hart County Industrial Authority, Inc. (Authority) is a legally separate entity established to promote industrial growth in Hart County. Hart County Fiscal Court has the authority to appoint a voting majority of the Authority's board. The Authority is fiscally dependent on the Fiscal Court because the Fiscal Court has authorized the County Judge/Executive to cosign bank notes for the Authority, with the Fiscal Court acting as guarantor. This fiscal dependency requires the Fiscal Court to include the Authority as a component unit. The Authority is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Authority is presented discretely.

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Hart County Industrial Authority, Inc. (Continued)

Audited financial statements for the Hart County Industrial Authority, Inc., a discretely presented component unit, may be requested by contacting the Hart County Industrial Authority, Inc., P.O. Box 490, Munfordville, Kentucky 42765.

Hart County Solid Waste Management District

Hart County Fiscal Court established the Hart County Solid Waste Management District (District) as a legally separate entity pursuant to KRS 67.083(3) and KRS 109.014(13) for the purpose of providing solid waste services for the residents of Hart County. Fiscal Court has the authority to appoint the voting majority of the District's board. The District is fiscally dependent on the Fiscal Court because the Fiscal Court is obligated for a financing obligation of a solid waste truck and solid waste containers. This fiscal dependency requires the Fiscal Court to include the District as a component unit. The District is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the District is presented discretely.

Audited financial statements for the Hart County Solid Waste Management District, a discretely presented component unit, may be requested by contacting the Hart County Solid Waste Management District, P.O. Box 585, Munfordville, Kentucky 42765.

Hart County Tourist Commission

Hart County Fiscal Court (Fiscal Court) established the Hart County Tourist Commission (Commission) pursuant to KRS 91A.350(2) for the purpose of promoting recreational, tourist, convention and other related activities in Hart County. The Commission is composed of seven members appointed by the Hart County Judge/Executive with the approval of the Fiscal Court. Five members are appointed by the County Judge/Executive from lists submitted by third parties. Two members are appointed at-large by the County Judge/Executive. The Commission's governing body is substantially different from the Fiscal Court. However, the Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Commission's major source of revenue is the transient room tax. On May 1, 2001, the Fiscal Court enacted an ordinance imposing a transient room tax.

The Fiscal Court currently collects "3% of the rent for every occupancy of a suite, room or rooms charged." The Fiscal Court is to issue monthly checks to the Commission. This fiscal dependency requires the Fiscal Court to include the Commission as a component unit. The Commission is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Commission is presented discretely.

Audited financial statements for the Hart County Tourist Commission, a discretely presented component unit, may be requested by contacting the Hart County Tourist Commission, P.O. Box 478, Munfordville, Kentucky 42765.

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Hart County Elected Officials

Kentucky law provides for election of the below officials from the geographic area constituting Hart County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of inter-fund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the Fiscal Court. The primary sources of revenue for this fund are reimbursements from the state government and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Federal and State Grants Fund - The primary purpose of this fund is to account for funds received from grants. The primary sources of revenue for this fund are the grants received from the state and federal governments.

Public Properties Corporation Fund – The primary purpose of this fund is to account for the funds of the Hart County Public Properties Corporation, a blended component unit of the Fiscal Court. The primary sources of revenue for this fund are the rental payments received from the Administrative Office of The Courts, Commonwealth of Kentucky, which are sufficient to pay 100% of the debt service on the First Mortgage Revenue Bonds, Series 2007. This fund is also used to account for the expenditure of the bond proceeds from the First Mortgage Revenue Bonds, Series 2007. The bond proceeds are to be used to the construct the Hart County Judicial Center.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, 911 Dispatch Fund, Sheriff Department Fund, Tourist Fund, and Debt Service Fund.

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Special Revenue Funds:

The Road Fund, Jail Fund, Federal and State Grants Fund, Local Government Economic Assistance Fund, 911 Dispatch Fund, Sheriff Department Fund, and Tourist Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Public Properties Corporation Fund is a capital projects fund. Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund:

The Public Properties Corporation Fund and Debt Service Fund are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Enterprise Fund:

The principal operating revenues of the county's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Fiduciary Fund

Fiduciary funds report only those resources held in a trust or agency capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Inmate Account Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Inmate Account Fund - This fund accounts for funds received from jail inmates and remitted for jail canteen expenses, booking fees, or returned to the jail inmate.

Presentation of Component Units

Detailed presentations of the financial statements for the discretely presented component units of the Hart County Fiscal Court are available from the separately issued financial statements of the Hart County Industrial Authority, Inc., Hart County Solid Waste Management District, and Hart County Tourist Commission.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, furniture and office equipment, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved component, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State Local Finance Officer does not require formal budgets be adopted for the Public Properties Corporation Fund, the Debt Service Fund, and the Jail Canteen Fund.

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information (Continued)

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organization and Jointly Governed Organization

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. The primary government's accountability for related organizations does not extend beyond making appointment. Based on these criteria, the Hart County Ambulance Service Taxing District is considered a related organization of the Hart County Fiscal Court.

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the Green River Valley Water District is considered a jointly governed organization of the Hart County Fiscal Court.

Note 2. Deposits

The primary government and its discretely presented component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the primary government or its discretely presented component units and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the primary government's or its discretely presented component units' deposits may not be returned. The primary government or its discretely presented component units do not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

As of June 30, 2009, all deposits of the discretely presented component units were covered by FDIC or a properly executed collateral security agreement.

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2009 was as follows:

	Reporting Entity		
	Beginning Balance	Increases	Decreases Ending Balance
<u>Governmental Activities:</u>			
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 285,398	\$	\$ 285,398
Construction In Progress	9,101,235	1,902,623	(11,003,858)
Historical Treasures	224,669		224,669
Total Capital Assets Not Being Depreciated	9,611,302	1,902,623	(11,003,858) 510,067
Capital Assets, Being Depreciated:			
Buildings and Improvements	5,028,290	11,003,858	16,032,148
Other Equipment	744,492	30,923	775,415
Vehicles and Equipment	1,114,886	187,978	(42,800) 1,260,064
Infrastructure	2,616,368	191,988	2,808,356
Total Capital Assets Being Depreciated	9,504,036	11,414,747	(42,800) 20,875,983
Less Accumulated Depreciation For:			
Buildings and Improvements	(1,098,405)	(279,484)	(1,377,889)
Other Equipment (Restated)	(260,875)	(72,575)	(333,450)
Vehicles and Equipment (Restated)	(644,274)	(88,212)	41,300 (691,186)
Infrastructure	(365,710)	(153,521)	(519,231)
Total Accumulated Depreciation	(2,369,264)	(593,792)	41,300 (2,921,756)
Total Capital Assets, Being Depreciated, Net	7,134,772	10,820,955	(1,500) 17,954,227
Governmental Activities Capital Assets, Net	<u>\$ 16,746,074</u>	<u>\$ 12,723,578</u>	<u>\$ (11,005,358) \$ 18,464,294</u>
<u>Business-Type Activities:</u>			
Capital Assets, Being Depreciated:			
Vehicles	\$ 20,730	\$	\$ 20,730
Total Capital Assets Being Depreciated	20,730		20,730
Less Accumulated Depreciation For:			
Vehicles	(1,873)	(1,873)	(3,746)
Total Accumulated Depreciation	(1,873)	(1,873)	(3,746)
Total Capital Assets, Being Depreciated, Net	18,857	(1,873)	16,984
Business-Type Activities Capital Assets, Net	<u>\$ 18,857</u>	<u>\$ (1,873)</u>	<u>\$ 0 \$ 16,984</u>

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 67,794
Protection to Persons and Property	288,988
General Health and Sanitation	13,252
Recreation and Culture	4,751
Roads, Including Depreciation of General Infrastructure Assets	<u>219,007</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 593,792</u>

Business-Type Activities:

Jail Canteen	<u>\$ 1,873</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,873</u>

Capital asset activity for the discretely presented component units for the year ended June 30, 2009 was as follows:

	Reporting Entity			Ending
	Balance	Increases	Decreases	Balance
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 321,673	\$	\$	\$ 321,673
Total Capital Assets Not Being Depreciated	<u>321,673</u>			<u>321,673</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,556,456	64,432		4,620,888
Other Equipment	102,917			102,917
Vehicles and Equipment	1,349,849	219,400		1,569,249
Total Capital Assets Being Depreciated	<u>6,009,222</u>	<u>283,832</u>		<u>6,293,054</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(601,415)	(114,735)		(716,150)
Other Equipment	(22,484)	(10,292)		(32,776)
Equipment and Trucks	<u>(1,119,108)</u>	<u>(76,005)</u>		<u>(1,195,113)</u>
Total Accumulated Depreciation	<u>(1,743,007)</u>	<u>(201,032)</u>		<u>(1,944,039)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,266,215</u>	<u>82,800</u>		<u>4,349,015</u>
Capital Assets, Net	<u>\$ 4,587,888</u>	<u>\$ 82,800</u>	<u>\$ 0</u>	<u>\$ 4,670,688</u>

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the discretely presented component units as follows:

Hart County Industrial Authority, Inc.	\$ 111,169
Hart County Solid Waste Management District	79,571
Hart County Tourist Commission	<u>10,292</u>
Total Depreciation Expense - Component Units	<u>\$ 201,032</u>

Note 4. Receivables

A. Solid Waste Mack Truck

On June 19, 2008, Hart County Fiscal Court entered into a financing obligation with the Kentucky Association of Counties Leasing Trust on behalf of Hart County Solid Waste Management District. Hart County Solid Waste Management District, a discretely presented component unit, has agreed to make the one time principal payment and all of the interest payments until the financing obligation is paid in full. The District owes \$129,386 in principal on the financing obligation as of June 30, 2009.

Solid Waste Equipment

On November 17, 2008, Hart County Fiscal Court entered into a financing obligation with the Kentucky Association of Counties Leasing Trust on behalf of Hart County Solid Waste Management District. Hart County Solid Waste Management District, a discretely presented component unit, has agreed to make the six principal payments and all of the interest payments until the financing obligation is paid in full. The District owes \$80,000 in principal on the financing obligation as of June 30, 2009.

B. Changes In Receivables

Receivable activity of the primary government for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Hart County Solid Waste Management District	\$ 129,386	\$ 80,000	\$	\$ 209,386	\$ 144,386
Governmental Activities Receivables	<u>\$ 129,386</u>	<u>\$ 80,000</u>	<u>\$ 0</u>	<u>\$ 209,386</u>	<u>\$ 144,386</u>

Note 5. Short-term Debt

A. Solid Waste Mack Truck

On June 19, 2009, Hart County entered into an agreement with the Kentucky Association of Counties Leasing Trust. This agreement was for the purchase of a truck for the Hart County Solid Waste Management District, a discretely presented component unit. The principal was \$129,386 at various interest rates for a period of 18 months, with interest paid monthly and an one time principal payment due on January 20, 2010. The maturity date of the obligation is January 20, 2010. The principal balance of the obligation at June 30, 2009 was \$129,386.

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Short-term Debt (Continued)

B. Changes In Short-term Liabilities

Short-term activity of the primary government for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financing Obligations	\$ 129,386	\$	\$	\$ 129,386	\$ 129,386
Governmental Activities					
Short-term Liabilities	\$ 129,386	\$ 0	\$ 0	\$ 129,386	\$ 129,386

Note 6. Long-term Debt

A. General Obligation Refunding Bonds, Series 2004

Hart County Fiscal Court issued general obligation refunding bonds, series 2004, dated February 24, 2004, for the purpose of refunding the Series 1998 Mortgage Revenue bonds of \$3,335,000 issued by Hart County Public Properties Corporation. On March 1, 2004, \$3,755,000 of general obligation refunding bonds was issued. Interest is payable semi-annually on September 1 and March 1 of each year at rates ranging from 2.50% to 4.50%. Principal is payable annually on March 1 of each year. The maturity date of the general obligation refunding bonds is March 1, 2029. The principal balance of these general obligation refunding bonds as of June 30, 2009 was \$3,490,000. Annual debt service requirements to maturity for the general obligation refunding bonds are as follows:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2010	\$ 120,000	\$ 142,856
2011	125,000	139,256
2012	125,000	135,506
2013	130,000	131,131
2014	135,000	126,581
2015-2019	765,000	554,406
2020-2024	990,000	378,244
2025-2029	1,100,000	150,750
Totals	\$ 3,490,000	\$ 1,758,730

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Long-term Debt (Continued)

B. First Mortgage Revenue Bonds, Series 2007 (Judicial Center Project)

Hart County Public Properties Corporation, an agency and instrumentality of the Hart County Fiscal Court, issued First Mortgage Revenue Bonds, Series 2007, dated April 1, 2007, for the purpose of acquisition, construction, installation, and equipping of the Hart County Judicial Center. On April 10, 2007, \$11,315,000 of first mortgage revenue bonds was issued. Interest is payable semi-annually on October 1 and April 1 of each year at rates ranging from 4.00% to 4.25%. Principal is payable annually on April 1 of each year. The maturity date of the first mortgage revenue bonds is April 1, 2027. The Corporation entered into an annually renewable Memorandum of Understanding with the Administrative Office of The Courts (AOC), Commonwealth of Kentucky, for rental payments sufficient to pay 100% of the debt service on the bonds. The principal balance of these mortgage revenue bonds as of June 30, 2009 was \$10,910,000. Annual debt service requirements to maturity for the first mortgage revenue bonds are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2010	\$ 425,000	\$ 457,294
2011	440,000	440,294
2012	460,000	422,693
2013	475,000	404,294
2014	495,000	385,294
2015-2019	2,780,000	1,602,669
2020-2024	3,410,000	962,200
2025-2027	2,425,000	209,100
Totals	<u>\$ 10,910,000</u>	<u>\$ 4,883,838</u>

C. Courthouse Renovations #1

On September 30, 2002, the Hart County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for courthouse renovations. The principal was \$490,000 at a variable interest rate for a period of ten years, with principal and interest paid monthly. The maturity date of the obligation is June 20, 2010. Administrative Office of The Courts (AOC), Commonwealth of Kentucky, has pledged to pay a portion of the debt service requirements. The principal balance of the obligation at June 30, 2009 was \$52,836. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2010	\$ 52,836	\$ 1,322
Totals	<u>\$ 52,836</u>	<u>\$ 1,322</u>

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Long-term Debt (Continued)

D. Courthouse Renovations #2

On December 28, 2000, the Hart County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) for courthouse renovations. The principal was \$157,616 at a variable interest rate for a period of 10 years, with principal and interest paid monthly. The maturity date of the obligation is April 20, 2013. The principal balance of the obligation at June 30, 2009 was \$68,076. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2010	\$ 16,825	\$ 2,099
2011	17,468	1,675
2012	18,138	1,007
2013	<u>15,645</u>	<u>310</u>
Totals	<u>\$ 68,076</u>	<u>\$ 5,091</u>

E. E-911 Equipment

On November 5, 2005, the Hart County Fiscal Court entered into a financing agreement with Government Capital Corporation for the purchase of E-911 Equipment. The principal was \$166,383 for a period of 7 years, with principal and interest paid annually. The maturity date of the obligation is December 5, 2012. The principal balance of the obligation at June 30, 2009 was \$103,242. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2010	\$ 23,752	\$ 5,820
2011	25,090	4,482
2012	26,504	3,069
2013	<u>27,996</u>	<u>1,577</u>
Totals	<u>\$ 103,342</u>	<u>\$ 14,948</u>

F. Solid Waste Equipment

On November 17, 2008, the Hart County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KaColt) to purchase of solid waste equipment. The principal was \$80,000 for a period of 5 years with interest due monthly and principal payments due in 4 annual installments of \$15,000 with a balloon payment of \$20,000 due on October 20, 2013. Annual debt service requirements to maturity are as follows:

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Long-term Debt (Continued)

F. Solid Waste Equipment (Continued)

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2010	\$ 15,000	\$ 2,632
2011	15,000	2,291
2012	15,000	1,731
2013	15,000	1,170
2014	20,000	330
Totals	<u>\$ 80,000</u>	<u>\$ 8,154</u>

G. Hart County Industrial Authority, Inc. Notes Payable

Notes payable at June 30, 2009 of Hart County Industrial Authority, Inc., a discretely presented component unit, consist of the following:

- 1) Note payable to Kentucky Utilities, unsecured, dated May 12, 1998. The note is non-interest bearing and is payable March 27, 2010. The principal balance of the note at June 30, 2009 was \$28,000.
- 2) Note payable to Citizens First Bank, dated April 19, 1999, renewable annually, secured by real estate. Principal payable in full upon sale of the corresponding Project Site. Interest is variable and is payable annually. The principal balance of the note at June 30, 2009 was \$257,090.
- 3) Note payable Kentucky Infrastructure Authority, dated June 1, 2005, secured by real estate. Principal and interest are payable in semi-annual installments of \$39,709, including interest at .62%. Final payment due June 1, 2037. The principal balance of the note at June 30, 2009 was \$2,038,471.
- 4) Notes payable to PBI Bank are as follows:
 - a) Note dated June 1, 1998, unsecured, renewable bi-annually. Interest is variable and is payable monthly. The principal balance of the note at June 30, 2009 was \$206,737.
 - b) Note dated June 1, 1999, secured by real estate, renewable annually. Interest is variable and is payable annually. The principal balance of the note at June 30, 2009 was \$480,000.
- 5) Annual debt service requirements for notes payable to maturity in aggregate of the Hart County Industrial Authority, Inc., a discretely presented component unit, are as follows:

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Long-term Debt (Continued)

G. Hart Country Industrial Authority Payable (Continued)

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2010	\$ 1,038,709	\$ 49,668
2011	67,297	12,671
2012	67,715	11,702
2013	68,136	11,281
2014	68,559	10,858
2015-2019	349,233	47,852
2020-2024	360,212	36,874
2025-2029	371,535	25,550
2030-2034	383,215	13,870
2035-2037	235,687	2,564
Totals	<u>\$ 3,010,298</u>	<u>\$ 222,890</u>

H. Hart County Solid Waste Management District

Capitalized lease obligations and general obligation notes payable at June 30, 2009 of Hart County Solid Waste Management District, a discretely presented component unit, consist of the following:

- 1) Lease payable to Kentucky Area Development District (KADD) Small Issuer Lease Program, dated April 18, 2002; payable on April 20 and October 20 in semi-annual payments of varying amounts of approximately \$15,000 including interest at 5.03%; issued for the purpose of purchasing solid waste equipment. The principal balance of the lease at June 30, 2009 was \$45,000.
- 2) Lease payable to Kentucky Association of Counties Leasing Trust, dated November 17, 2008; interest due monthly at 4.024 and four annual installments of \$15,000 due on October 20. Remaining principal balance payable in one balloon payment of \$20,000 due on October 20, 2013. Issued for the purpose of purchasing solid waste equipment. The principal balance of the lease at June 30, 2009 was \$80,000.
- 3) Lease Payable to the Kentucky Association of Counties-1989 Pool, secured by a 2008 Mack Truck, payable in one balloon principal payment of \$129,643 with interest being paid monthly at 3.961%, dated June 19, 2009 and payable January 20, 2010; issued for the purchase of a Mack Truck. The principal balance of the lease at June 30, 2009 was \$129,643.
- 4) \$750,000 Kentucky Infrastructure Authority Assistance Agreement, dated January 1, 2000; payable on June 1 and December 1 in semi-annual installments of \$57,676 including interest at 2.0%; issued for the purpose of financing equipment purchases; secured by the system revenues of the District. The principal balance of the general obligation note at June 30, 2009 was \$87,764.
- 5) \$120,219 Kentucky Banking Centers, Inc., dated December 1, 2005; payable in one hundred and eighteen equal monthly installments of \$897 including interest at 6.5%, final payment of all principal and accrued interest due in December, 2015, in a balloon payment. Issued for the payment of original note and secured by twenty acres of real property. The principal balance of the general obligation note at June 30, 2009 was \$108,404.

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Long-term Debt (Continued)

H. Hart County Solid Waste Management District (Continued)

- 6) Annual debt service requirements for capitalized lease obligations and general obligation notes in aggregate of the Hart County Solid Waste Management District, a discretely presented component unit, are:

Fiscal Year Ended June 30	Capital Lease Obligations		General Obligation Notes		
	Scheduled Principal	Scheduled Interest	Scheduled Principal	Scheduled Interest	Total Requirements
2010	\$ 159,643	\$ 7,865	\$ 62,026	\$ 8,565	\$ 238,099
2011	30,000	4,389	33,609	7,023	75,021
2012	30,000	3,018	4,318	6,443	43,779
2013	15,000	1,170	4,625	6,136	26,931
2014	20,000	330	4,934	5,827	31,091
2015			86,656	8,119	94,775
Totals	<u>\$ 254,643</u>	<u>\$ 16,772</u>	<u>\$ 196,168</u>	<u>\$ 42,113</u>	<u>\$ 509,696</u>

I. Changes In Long-term Liabilities

Long-term liability activity of the primary government for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation					
Refunding Bonds	\$ 3,575,000	\$	\$ 85,000	\$ 3,490,000	\$ 120,000
Revenue Bonds	11,315,000		405,000	10,910,000	425,000
Financing Obligations	437,712	80,000	213,459	304,253	108,413
Governmental Activities					
Long-term Liabilities	<u>\$15,327,712</u>	<u>\$ 80,000</u>	<u>\$ 703,459</u>	<u>\$14,704,253</u>	<u>\$ 653,413</u>

Long-term liability activity of the discretely presented component units for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable	\$ 3,116,437	\$	\$ 106,139	\$ 3,010,298	\$ 1,038,709
Lease Obligations	206,567	80,000	31,924	254,643	159,643
General Obligation Notes	257,088		60,920	196,168	62,026
Total Component Units	<u>\$ 3,580,092</u>	<u>\$ 80,000</u>	<u>\$ 198,983</u>	<u>\$ 3,461,109</u>	<u>\$ 1,260,378</u>

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$637,133 in interest on long-term bonds and financing obligations.

Note 8. Employee Retirement System

The Fiscal Court and the Hart County Solid Waste Management District, a discretely presented component unit, have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who began participation on or after September 1, 2008 are required to contribute 6% of their salary to the plan.

The county's contribution rate for nonhazardous employees was 13.50 percent. The county's contribution for FY 2009 was \$251,674.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 9. Deferred Compensation

In February 2004, the Hart County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority, 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862.

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 10. Insurance

For the fiscal year ended June 30, 2009, Hart County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Economic Incentive Agreement – Component Unit

In July, 2003, the Hart County Industrial Authority, Inc. (Authority), a discretely presented component unit, entered into an agreement with T. Marzetti Company to commence payment of \$100,000 excavation allowance if T. Marzetti Company reached an employment and payroll goal. In October, 2007, the Authority received acknowledgement that the goal had been reached. No payment was made on the year ended June 30, 2009 resulting in a \$40,000 current portion payable and a \$40,000 non-current portion payable.

HART COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

HART COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,783,500	\$ 1,783,500	\$ 2,016,671	\$ 233,171
In Lieu Tax Payments	30,600	30,600	60,501	29,901
Excess Fees	51,590	51,590	62,747	11,157
Licenses and Permits	20,100	20,100	21,266	1,166
Intergovernmental Revenue	241,100	241,100	292,539	51,439
Charges for Services			32	32
Miscellaneous	7,000	33,248	229,440	196,192
Interest	10,000	10,000	13,844	3,844
Total Revenues	<u>2,143,890</u>	<u>2,170,138</u>	<u>2,697,040</u>	<u>526,902</u>
EXPENDITURES				
General Government	992,742	1,014,288	753,400	260,888
Protection to Persons and Property	57,927	105,070	97,290	7,780
General Health and Sanitation	185,918	188,619	187,509	1,110
Social Services	7,250	10,861	9,861	1,000
Recreation and Culture	6,600	6,996	6,996	
Debt Service	48,843	300,893	180,018	120,875
Capital Projects	390,282	290,282	256,887	33,395
Administration	487,598	482,248	376,414	105,834
Total Expenditures	<u>2,177,160</u>	<u>2,399,257</u>	<u>1,868,375</u>	<u>530,882</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(33,270)</u>	<u>(229,119)</u>	<u>828,665</u>	<u>1,057,784</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(944,419)	(944,419)	(1,015,801)	(71,382)
Transfers In	228,486	228,486	234,628	6,142
Borrowed Money		80,000	80,000	
Total Other Financing Sources (Uses)	<u>(715,933)</u>	<u>(635,933)</u>	<u>(701,173)</u>	<u>(65,240)</u>
Net Changes in Fund Balance	(749,203)	(865,052)	127,492	992,544
Fund Balance - Beginning (Restated)	<u>749,203</u>	<u>749,203</u>	<u>1,435,621</u>	<u>686,418</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (115,849)</u>	<u>\$ 1,563,113</u>	<u>\$ 1,678,962</u>

HART COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,274,350	\$ 1,340,210	\$ 1,306,837	\$ (33,373)
Miscellaneous	1,400	1,400	50,227	48,827
Interest	8,000	8,000	31,266	23,266
Total Revenues	1,283,750	1,349,610	1,388,330	38,720
EXPENDITURES				
Protection to Persons and Property		22,610	20,610	2,000
Roads	1,031,447	1,234,598	921,302	313,296
Administration	252,303	242,402	188,987	53,415
Total Expenditures	1,283,750	1,499,610	1,130,899	368,711
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		(150,000)	257,431	407,431
OTHER FINANCING SOURCES (USES)				
Transfers Out	(228,486)	(228,486)	(228,486)	
Total Other Financing Sources (Uses)	(228,486)	(228,486)	(228,486)	
Net Changes in Fund Balance	(228,486)	(378,486)	28,945	407,431
Fund Balance - Beginning	228,486	378,486	649,245	270,759
Fund Balance - Ending	\$ 0	\$ 0	\$ 678,190	\$ 678,190

HART COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,242,704	\$ 1,242,704	\$ 1,142,921	\$ (99,783)
Charges for Services	50,000	50,000	166,557	116,557
Miscellaneous	25,000	25,000	27,288	2,288
Interest	1,000	1,000	1,170	170
Total Revenues	1,318,704	1,318,704	1,337,936	19,232
EXPENDITURES				
Protection to Persons and Property	1,385,722	1,405,622	1,424,677	(19,055)
Debt Service	229,982			
Administration	322,000	322,000	296,853	25,147
Total Expenditures	1,937,704	1,727,622	1,721,530	6,092
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(619,000)	(408,918)	(383,594)	25,324
OTHER FINANCING SOURCES (USES)				
Transfers Out		(229,982)	(229,982)	
Transfers In	600,000	600,000	600,000	
Total Other Financing Sources (Uses)	600,000	370,018	370,018	
Net Changes in Fund Balance	(19,000)	(38,900)	(13,576)	25,324
Fund Balance - Beginning	19,000	38,900	188,745	149,845
Fund Balance - Ending	\$ 0	\$ 0	\$ 175,169	\$ 175,169

HART COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

FEDERAL AND STATE GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,000,000	\$ 1,000,000	\$ 142,135	\$ (857,865)
Total Revenues	1,000,000	1,000,000	142,135	(857,865)
EXPENDITURES				
General Government		99,226	99,226	
Protection to Persons and Property		10,169	10,169	
General Health and Sanitation		5,440	5,440	
Administration	1,000,000	40,954	40,954	
Total Expenditures	1,000,000	155,789	155,789	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
		844,211	(13,654)	(857,865)
OTHER FINANCING SOURCES (USES)				
Transfers Out			(4,012)	(4,012)
Transfers In			18,856	18,856
Total Other Financing Sources (Uses)			14,844	14,844
Net Changes in Fund Balance		844,211	1,190	(843,021)
Fund Balance - Beginning			6,410	6,410
Fund Balance - Ending	\$ 0	\$ 844,211	\$ 7,600	\$ (836,611)

HART COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**HART COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2009

HART COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	Local Government Economic Assistance Fund	911 Dispatch Fund	Sheriff Department Fund	Tourist Fund	Total Non-Major Governmental Funds
ASSETS					
Cash And Cash Equivalen	\$ 22,295	\$ 23,489	\$ 56,652	\$ 16,949	\$ 119,385
Total Assets	<u>22,295</u>	<u>23,489</u>	<u>56,652</u>	<u>16,949</u>	<u>119,385</u>
FUND BALANCES					
Reserved For:					
Encumbrances			1,936		1,936
Unreserved:					
Special Revenue Funds	<u>22,295</u>	<u>23,489</u>	<u>54,716</u>	<u>16,949</u>	<u>117,449</u>
Total Fund Balances	<u>\$ 22,295</u>	<u>\$ 23,489</u>	<u>\$ 56,652</u>	<u>\$ 16,949</u>	<u>\$ 119,385</u>

The accompanying notes are an integral part of the financial statements.

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HART COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

HART COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	Local Government Economic Assistance Fund	911 Dispatch Fund	Sheriff Department Fund
REVENUES			
Taxes	\$	\$ 131,488	\$
Intergovernmental	59,986		410,936
Charges for Services		30,000	
Miscellaneous		7,075	7,954
Interest	315	285	768
Total Revenues	<u>60,301</u>	<u>168,848</u>	<u>419,658</u>
EXPENDITURES			
General Government	17,617		476,459
Protection to Persons and Property		186,508	
General Health and Sanitation	37,416		
Recreation and Culture	143,381		
Debt Service			
Administration		45,956	119,942
Total Expenditures	<u>198,414</u>	<u>232,464</u>	<u>596,401</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(138,113)</u>	<u>(63,616)</u>	<u>(176,743)</u>
Other Financing Sources (Uses)			
Financing Obligation Proceeds			
Transfers Out			(2,130)
Transfers In	148,414	46,005	202,526
Total Other Financing Sources (Uses)	<u>148,414</u>	<u>46,005</u>	<u>200,396</u>
Net Change in Fund Balances	10,301	(17,611)	23,653
Fund Balances - Beginning (Restated)	11,994	41,100	32,999
Fund Balances - Ending	<u>\$ 22,295</u>	<u>\$ 23,489</u>	<u>\$ 56,652</u>

The accompanying notes are an integral part of the financial statements.

HART COUNTY**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS****Other Supplementary Information****For The Year Ended June 30, 2009****(Continued)**

Tourist Fund	Debt Service Fund	Total Non-Major Governmental Funds
\$ 64,653	\$	\$ 196,141
		470,922
		30,000
		15,029
		1,368
<u>64,653</u>		<u>713,460</u>
		494,076
		186,508
		37,416
63,440		206,821
	229,982	229,982
		165,898
<u>63,440</u>	<u>229,982</u>	<u>1,320,701</u>
<u>1,213</u>	<u>(229,982)</u>	<u>(607,241)</u>
		(2,130)
	229,982	626,927
	<u>229,982</u>	<u>624,797</u>
1,213		17,556
15,736		101,829
<u>\$ 16,949</u>	<u>\$ 0</u>	<u>\$ 119,385</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

- Certified Public Accountants
 - Business Advisors



The Honorable Terry Martin, Hart County Judge/Executive
Members of the Hart County Fiscal Court

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hart County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated March 12, 2010. We did not audit the financial statements of the following discretely presented component units of Hart County Fiscal Court: the Hart County Industrial Authority, Inc., the Hart County Solid Waste Management District, and the Hart County Tourist Commission. Those financial statements were audited by other auditors whose reports have been furnished to us. Hart County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hart County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hart County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hart County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations 2009-1, 2009-2, 2009-3, 2009-4, 2009-5, 2009-6, 2009-7, and 2009-8 to be significant deficiencies in internal control over financial reporting.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that of the significant deficiencies described above 2009-1, 2009-2, and 2009-3 are material weaknesses.

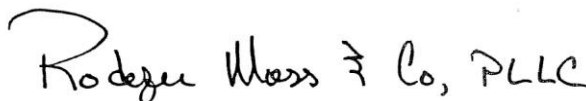
Compliance And Other Matters

As part of obtaining reasonable assurance about whether Hart County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Hart County Judge/Executive's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Rodefer Moss & Co, PLLC". The signature is written in a cursive, flowing style.

Rodefer Moss & Co, PLLC

March 12, 2010

**HART COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2009

**HART COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2009

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

2009-1 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And Reconciliations

As a result of our audit, we noted a lack of segregation of duties exists over the following accounting functions: record-keeping, report preparation and reconciliations. Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions.

The County Treasurer deposits the receipts, posts to the ledger and prepares reports from these ledgers for submission to the Department for Local Government (DLG), and performs the bank reconciliations.

To adequately protect employees in the normal course of performing their assigned functions and to protect the fiscal court against inaccurate financial reporting, we recommend the fiscal court separate the duties in depositing receipts, recording transactions, preparing reports, and reconciling bank accounts. If any of these duties cannot be segregated due to limited number of staff, strong oversight should be provided over the employee responsible. The employee providing the oversight should document this.

County Judge/Executive Response: We have someone recording revenues and checking reconciliation as suggested.

2009-2 The Fiscal Court Should Improve Procedures Over Capital Assets

The County Judge/Executive's office did not have the information on capital asset additions, retirements, or disposals for fiscal year 2009. The Fiscal Court also purchased a 2009 Ford Crown Victoria from a Barren County vendor, without bidding the purchase, at what the Barren County vendor indicated was the same price as the state contract price. As the Fiscal Court has adopted the Model Procurement Code (KRS 45A.343-460), they may negotiate directly with a vendor as long as the final price does not exceed the state price contract. However, the Fiscal Court did not obtain documentation from the vendor that the vehicle was purchased at a final price that did not exceed the state price contract.

We recommend the Fiscal Court develop and implement a system to track additions that meet the capitalization threshold and to remove retirements/disposals of capital assets from the capital asset listing throughout the fiscal year. In addition we recommend that the Fiscal Court obtain documentation from vendors, when a bid is not obtained, that capital assets have been purchased at a price that does not exceed the state price contract.

County Judge/Executive Response: Purchase price was assured by the dealer to be lower than state contract price.

HART COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2009
(Continued)

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:
(Continued)

2009-3 The Hart County Jailer Lacks Adequate Segregation Of Duties

As a result of our audit, we noted a lack of segregation of duties exists over the following accounting functions: receipts collection and processing, record-keeping, report preparation, reconciliations, and disbursement of funds. Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions.

The Jailer's bookkeeper prepares and deposits the receipts, prepares and signs checks, posts to the ledger, prepares reports, and performs the bank reconciliations.

To adequately protect employees in the normal course of performing their assigned functions and to protect the fiscal court against inaccurate financial reporting, we recommend the Jailer separate the duties in preparing and depositing receipts, preparing and signing checks, recording transactions, preparing reports, and reconciling bank accounts. If any of these duties cannot be segregated due to limited number of staff, strong oversight should be provided over the employee responsible. The employee providing the oversight should document this.

County Jailer Response: There are only two of us in the office. If one is gone the other takes over. Do you have any suggestions?

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES:

2009-4 The Hart County Jailer Should Improve Internal Controls Over Reconciliations

During our testing of Jail Receipts and Disbursements, we noted that the Jail Inmate account was not being reconciled on a monthly basis.

To adequately protect employees in the normal course of performing their assigned duties and to protect the jail against misappropriation of assets and inaccurate financial reporting, we recommend that the jail reconcile all cash accounts monthly.

County Jailer's Response: Per KRS 441.135 the only account that previously had been reported in a monthly and yearly reconciliation has been "Canteen". We will start doing a monthly reconciliation for "inmate" accounts.

2008-5 The Hart County Jailer Should Ensure That Fund Transfers Are Adequately Documented

During our testing of jail disbursements, we noted a transfer of \$12,000 from the jail to the Fiscal Court to cover inmate medical costs that lacked adequate supporting documentation.

To adequately protect employees in the normal course of performing their assigned duties and to protect the jail against misappropriation of assets and inaccurate financial reporting, we recommend that the jail obtain and retain documentation supporting all transfers of funds from the jail cash accounts to the Fiscal Court.

County Jailer's Response: We currently run print offs for transfer of monies to Fiscal Court. If any request come verbally again we will ask for paperwork stating what the monies are used for.

HART COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2009
(Continued)

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES: (Continued)

2009-6 The Fiscal Court Should Ensure The Timely Deposit Of Revenues Received

During our testing of occupational license revenues, we noted six instances in which the Treasurer did not timely deposit the revenues received from the occupational tax administrator.

To adequately protect employees in the normal course of performing their assigned duties and to protect the jail against misappropriation of assets and inaccurate financial reporting, we recommend that the Fiscal Court establish policy relating to the timely deposit of all revenues received and that regular oversight be provided to ensure that the policy is being adhered to.

County Judge/Executive Response: After being told of timeline we are presently doing this.

2009-7 The Occupational Tax Administrator Should Ensure The Timely Remittance Of Collections To The Fiscal Court

During our testing of occupational license revenues, we noted twelve instances in which the occupational tax administrator did not timely submit remit taxes received to the Treasurer for deposit.

To adequately protect employees in the normal course of performing their assigned duties and to protect the County against misappropriation of assets and inaccurate financial reporting, we recommend that the Fiscal Court establish policy relating to the timely deposit of all revenues received and that regular oversight be provided to ensure that the policy is being adhered to.

County Judge/Executive Response: Occupational Tax Administrator was only informed of the three day remit of taxes and is currently doing that.

2009-8 The Fiscal Court Should Maintain An Approved List Of Employee Salaries

The Fiscal Court should approve a detailed listing of compensation by employee position for all employees, except for the Jail and the Sheriff's office. The Jailer and the Sheriff should provide documentation of setting compensation for the employees of the Jail and the Sheriff's office, respectively, to the Finance Officer. In addition, procedures should be implemented to ensure withholdings are properly deducted from employees' paychecks. During fiscal year 2009, we noted a lack of documentation supporting employee withholdings.

To adequately protect employees in the normal course of performing their assigned functions and to protect the fiscal court against inaccurate financial reporting, we recommend the Fiscal Court approve compensation by employee for all employees, require the Jailer and the Sheriff to provide documentation of compensation for their employees to the Finance Officer, and implement procedures to ensure documentation is retained supporting proper withholdings from employees' paychecks.

County Judge/Executive Response: County Treasurer will submit with each budget cycle detailed listing.

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**CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

HART COUNTY FISCAL COURT

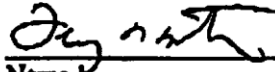
**For The Fiscal Year Ended
June 30, 2009**

Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
HART COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Hart County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

